Burlington Water Works/Teamsters #238

2002-2003
CEO 99
SECTOR 3

IN THE MATTER OF THE INTEREST ARBITRATION BETWEEN

Teamsters Local 238

UNION

-and-

CEO #99 / Sector 3

Burlington Municipal Waterworks

EMPLOYER

ARBITRATOR: Christine D. Ver Ploeg

DATE AND PLACE OF HEARING: July 16, 2003
Machinists Hall
East Burlington, Iowa

DATE OF AWARD: August 18, 2003

ADVOCATES

For the Union
Ying Tao Ho
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For the Employer
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INTRODUCTION

The parties have brought this dispute to interest arbitration pursuant to Iowa's Public Employment Labor Relations Act. Teamsters Local 238 (hereinafter "Union") is the exclusive representative for the approximately 16 members of this bargaining unit who are employed by the Burlington Municipal Waterworks (hereinafter "Employer"). In negotiating their collective bargaining agreement, the parties have reached impasse on two issues: (1) wages and (2) health insurance.

The parties and this arbitrator met for a hearing on these issues on July 16, 2003, following which the record was closed. The two issues, and the decision on each, are discussed below.

BACKGROUND

These parties are now at impasse because they cannot agree on wages and health insurance. Arbitrators who decide such matters in interest arbitration do not apply a strict formula but instead consider the evidence as a whole. Two important bases for decision are: (1) determining what the parties would likely have negotiated had they been able to reach agreement at the bargaining table; and (2) seeking to avoid awards that significantly alter a bargaining unit's relative standing, whether internally or externally, unless there are compelling reasons to do so.

Three types of evidence relevant to those two rationales are frequently presented in interest arbitration: evidence of "internal comparability", evidence of "external comparability" and, when cost items are at issue, evidence of an employer's "ability to pay."

Most interest arbitrators follow a two-fold analysis when deciding cost items in a contract. First, arbitrators consider an employer's ability to pay. The reason for beginning with this issue is self evident: it serves no purpose to issue an award that an employer cannot possibly fund and thus

could never agree to in collective bargaining. However, this first step is bypassed in this case as this Employer is not claiming an inability to fund the Union's proposals.

Thus, this case requires consideration of the comparability data, both external and internal. This step requires an evaluation of the parties' proposals in two contexts: (1) considering the wages, benefits, and other cost items this employer gives to its other employee groups (internal comparables); and (2) considering what similar employees with comparable employers enjoy under their contracts (external data). This latter analysis in turn raises an important question: Who shall be included in the group with which these parties are to be compared?

Internal Comparability

Parties present evidence of "internal comparability"--evidence of the terms and conditions of employment an employer provides its various employee groups--to demonstrate that the bargaining unit now in interest arbitration is or is not being treated equitably by comparison.

In this case the parties have offered very little evidence concerning the terms and conditions of employment that Burlington Municipal Waterworks provides to its other employees, those outside of this bargaining unit. The only evidence relevant to this step of the analysis is the Employer's undisputed assertion that (1) its non-union employees will receive a 2.5% wage increase (compared to the 3% that this unit now seeks), and (2) its non-union employees will be covered under the medical plan that the Employer now proposes for this bargaining unit.

I have considered this evidence and have accorded it minimal weight, as there has been no indication of the total number of employees affected, nor information concerning the terms of conditions of employment provided to other represented employees (if any).

External Comparability

"External comparability" evidence--evidence which compares the employment terms and conditions of employees who perform the same or similar work for different but "comparable" employers--is offered to demonstrate that the bargaining unit in interest arbitration is or is not being treated appropriately. Parties often disagree concerning the composition of the appropriate comparability group, and this case is no exception.

In the last interest arbitration between these parties, in 1983, three other municipal waterworks comprised the comparison group: Ottumwa, Keokuk and Ft. Madison. The Employer has utilized this group for comparison purposes, plus a fourth agency: Marshalltown.

By contrast, the Union has offered wage and insurance data for a larger group that includes, for example: Keokuk, the City of Muscatine, Washington County and City police, and the Ft. Madison library employees. The Union argues that these broader comparisons are relevant because those other employees, although they perform dissimilar work, are nevertheless all subject to much the same economic factors that are now relevant in setting the wages and insurance benefits for these bargaining unit members.

In weighing the parties' evidence and arguments on this question, I find that the Employer's proposed comparability group provides the most relevant data by which to measure the parties' respective proposals. It is well accepted in interest arbitration that the most meaningful comparison evidence is evidence of what comparably situated employers provide to employees who perform the same or similar work. It would be highly unusual to consider so broad and disparate a group as the Union proposes.

ISSUES AT IMPASSE

Issue 1: Wages

Employer's Position. Increase all steps in the wage schedule by 2.5%.

Union's position. Increase all steps in the wage schedule by 3%.

Decision: All steps on the wage schedule shall be increased by 2.5%.

Discussion and Decision

The Union offered substantial evidence that the Employer has the ability to fund its wage proposal of 3%. The Employer has not asserted an inability to pay, arguing instead that its offer of 2.5% is premised on evidence that the marketplace does not support a more generous wage increase. Because of the Employer's position, this award presumes that the Employer can in fact fund a wage increase of 3%.

Notwithstanding the Employer's concession concerning its ability to pay, for the following reasons I find that the Employer's evidence in support of a 2.5% wage increase has been the most persuasive.

First, the internal comparability evidence, although quite limited, does provide some support for the Employer's position. Absent more comprehensive information concerning the wages and benefits provided to other persons employed at the Burlington Municipal Waterworks, the undisputed evidence that non-union employees will receive a 2.5% wage increase favors the Employer's position.

More important, the Employer's evidence demonstrates that these employees currently receive, on average, 9% higher wages than do persons performing the same or similar work in the 4 agency comparison group. Obviously there is no need to "catch up" to those other agencies. The essential question is whether a 2.5% wage increase will permit these employees to maintain their

relative standing within this group. Although the evidence on this very important question is sparse, it does appear to favor the Employer's position.

Issue 2. Insurance

Employer's Position: The Employer proposes a new ARTICLE 19, Insurance:

> The Employer shall pay the full cost of single and family coverage for Health Care Insurance based on Plan III coverage, including 3-tier formulary prescription (RX) card and Dental Care Insurance based on Plan I (family)/Plan II (single) coverage as provided by the City/County Health Care Plan in effect on July 1, 2003.

Union position. The Union proposes to maintain the existing insurance benefit, as found in Article 19:

> SECTION 19.1 The Employer shall pay the full cost of the employee's personal premium for Hospital and Medical Care Insurance as offered by the City/County Health Care Group. If an employee elects to cover the employee's family members the Employer will pay the full cost of dependent coverage.

Decision: The Union's position is awarded. The current language will remain unchanged.

Discussion and Decision

The Employer offered substantial evidence it—like virtually ever other employer throughout the nation—has been experiencing breathtaking increases in its health insurance costs. (A 60% increase between July, 1999 and July 2002, resulting in a per employee increase of $3,712 during that time). The Employer notes that the current benefit, whereby "the em will pay the full cost of dependent coverage," is a very rich benefit plan that is much more generous than the plans provided to similar employees in the relevant comparison group. (Members in this unit do not pay anything toward a monthly premium, which employees in the four agency comparison group pay

an average of $47 per month.) Moreover, the plan that the Employer now proposes for this unit is the same insurance benefit package that will be provided to the Employer's non-bargaining unit employees effective July 1, 2003.

The Union strongly protests changing the current health insurance package on the grounds that (a) the three tier plan proposed by the Employer is potentially more costly to employees (it raises the deductible from $1,000 to $1,300), (b) the Employer can afford to maintain the current benefit package, particularly given the amounts it will save by imposing the new package on other employees[1], and (c) the Employer's external comparatives are inaccurate or incomplete.

I have reviewed the Employer's proposed change and find that it may well represent a better plan for many employees than they are currently provided.[2] Nevertheless, the issue of medical coverage is of such overriding concern to most employees—and it certainly is to these employees—that many arbitrators (including myself) entertain a strong presumption that parties should be left to negotiate for themselves significant changes to an existing package. Although that presumption can be overcome with compelling evidence of financial exigency and strong comparability data, the evidence presented at the hearing that supports unilaterally imposing this change upon these employees does not rise to that level. It may be possible that given time and

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[1] The Union argues that the savings the Employer will experience by converting to the new plan is the central issue involved in deciding which proposal to award. However, as the Employer is not arguing inability to fund either plan, that is not correct. The Employer correctly argues that the focus should be on the benefits employees would gain under the new plan, not the extent to which the Employer has succeeded in getting a better plan both in terms of benefits and total financial cost.

[2] Despite increasing an employee' deductible from $1,000 to $1,300, the proposed plan also includes several highly significant benefit improvements: (1) A more comprehensive network of providers, (2) co-insurance coverage increases from 80/20 to 90/10%, (3) the new plan increases, or provides for the first time, coverage for prevention tests including an annual physical, PAP, mammogram and PSA, (4) elimination of the $3,500 cap during the first 12 months for pre-existing conditions, (4) adding a new $15,000 infertility benefit (previously excluded), and (6) perhaps most notably: increases the maximum lifetime benefit from $1M to $2M, with all

other employees' experience with the new plan, these employees will themselves prefer to come within its provisions. However, now is not the time to force them to do so.

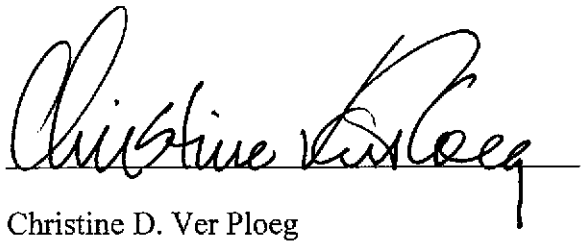
AWARD

For the above reasons, the following is awarded:

1. All steps on the wage schedule shall be increased by 2.5%.

2. Section 19.1, Insurance, will remain unchanged.

August 18, 2003



Christine D. Ver Ploeg

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participants being returned to -0- (Note, some employees are already approaching the $1M threshold).

CERTIFICATE OF SERVICE

I certify that on the 19 day of AUG, 20 03. I served the foregoing Award of Arbitrator upon each of the parties to this matter by (_____ personally delivering) (_____ mailing) a copy to them at their respective addresses as shown below:

I further certify that on the 19 day of AUGUST, 20 03, I will submit this Award for filing by (_____ personally delivering) (_____ mailing) it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.

_____

_____, Arbitrator
(Print Name)